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Korea, Republic of

Grain and Feed

Quarterly Grain Trade Report

2006

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Report Highlights:

During the first nine months of the 05/06 marketing year, Korea wheat imports increased slightly. Since then, new contracts have slowed down as feed wheat prices have become less competitive than corn. China supplied most of Korea's corn imports during the first six months; however, purchases are expected to shift to either the United States or South America for the remainder of this marketing year. Korea continues to auction off the U.S. table rice that it purchased per the MMA agreement. Several press reported quality issues, although no specific consumer complaints have been made.

Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
Seoul [KS1]
[KS]

WHEAT

No PS&D changes from the previous report (KS6034).

Imports

During the first nine months of MY 2005/06, wheat imports increased 7.4 percent as compared to the same period for the previous marketing year. The increase is due to a sharp increase in feed wheat imports (up 36 percent from the previous period). Imports of milling wheat decreased 6.5 percent during the same nine months. These changes are in line with earlier forecasts. Therefore, after reviewing updated feed wheat contracts, the forecast for feed wheat imports remains unchanged at 1.5 million metric tons (mmt). Although the pace of milling wheat imports has been slow, projected import totals are still in line with earlier projections, and therefore, PSDs have not been changed in this report.

Korea: Monthly Wheat Imports				
(1,000 MT)				
Month	Feed Wheat		Milling Wheat	
	MY 2004/05	MY 2005/06	MY 2004/05	MY 2005/06
July	88	80	215	179
August	59	120	176	176
September	82	129	198	183
October	127	131	209	211
November	107	135	198	223
December	83	151	237	230
January	138	172	217	115
February	83	130	171	215
March	120	157	199	170
Sub Total	887	1,205	1,820	1,702
April	93	Na	172	Na
May	98	Na	214	Na
June	11	Na	179	Na
Total	1,089	Na	2,385	Na

Source: Korea Customs Service

Korea: MY 2005/06 Monthly Wheat Imports By Origin (1,000 mt, based on Customs Clearance)					
Country	U. S.	Australia	Canada	Other	Total
Milling Wheat					
2005 July	84	83	12	0	179
August	110	60	6	0	176
September	57	114	12	0	183
October	151	57	3	0	211
November	107	103	13	0	223
December	140	85	5	0	230
2006 January	45	62	8	0	115
February	115	87	13	0	215
March	88	81	1	0	170
Total	897	732	73	0	1,702
Feed Wheat					
2005 July	0	0	80	0	80
August	0	0	119	1	120
September	0	0	119	10a/	129
October	0	0	131	0	131
November	2	0	88	45b/	135
December	1	0	89	61b/	151
2006 January	0	0	2	170c/	172
February	0	0	0	130d/	130
March	0	0	88	69e/	157
Total	3	0	716	486	1,205
Total Wheat					
2005 July	84	83	92	0	259
August	110	60	125	1	296
September	57	114	131	10	312
October	151	57	134	0	342
November	109	103	101	45	358
December	141	85	94	61	381
2006 January	45	62	10	170	287
February	115	87	13	130	345
March	88	81	89	69	327
Total	900	732	789	486	2,907

a/ Indonesia: 7,586 mt, China: 2,623 mt

b/ Ukraine 45,000 mt and 61,000 mt respectively

c/ Ukraine 111,537 mt, Brazil 39,824 mt, and Bulgaria 18,485 mt

d/ Ukraine 107,090 mt, Brazil 15,019 mt, Bulgaria 6,503 mt and Singapore 1,024 mt

e/ Ukraine 66,124 mt, Brazil 2,638 mt

Source: Korea Customs Service

Korea: Feed Wheat Contracts by Estimated Time of Arrival (ETA) (Unit: 1,000 mt, as of December 2005)		
ETA	Quantity 1/	Price (US\$/mt) 2/
Jul. 2005	55	135
Aug.	193	138
Sep.	90	138
Oct.	163	131
Nov.	110	125
Dec.	108	125
Jan. 2006	165	126
Feb.	163	132
Mar.	53	133
Apr.	110	135
May	108	133
Jun	110	136
Total	1,428	

1/ optional origin

2/ weighted average, CNF Korea.

Source: Local Grain Traders

Korea: Feed Wheat Contracts by Estimated Time of Arrival (ETA) (Unit: 1,000 mt, as of December 2005)		
ETA	Quantity	Price (US\$/mt)1/
Jul. 2006	27a/	145
Aug.	55b/	141
Total	82	

1/ CNF Korea

a/ China

b/ Canada

Source: Local Grain Traders

Utilization

Feed millers have purchased 1.4 mmt of feed wheat on an optional origin basis for MY 2005/06 delivery and continued to purchase them for the delivery of MY 2006/07. Most of the contracts for MY 2005/06 have gone to Canada and Ukraine. However, new contracts have been slow since February 2006 as feed wheat prices have become less competitive than corn.

During the first nine months of MY 2005/06, wheat consumption increased 5.6 percent as compared with the same period in the previous marketing year due to a 27 percent increase in the consumption of feed wheat. During the same period milling wheat consumption decreased 5 percent.

Korea: Monthly Wheat Use				
(1,000 mt)				
Month	Feed Wheat		Milling Wheat a/	
	MY 2004/05	MY 2005/06	MY 2004/05	MY 2005/06
July	79	88	188	181
August	83	101	198	195
September	90	109	192	186
October	104	120	201	188
November	109	133	192	185
December	102	135	191	192
January	92	125	232	192
February	87	120	156	156
March	92	134	192	185
Sub Total	838	1,065	1,742	1,660
April	88	NA	185	NA
May	91	NA	186	NA
June	90	NA	186	NA
Total	1,107	NA	2,299	NA

a/ including the portion of wheat flour export.

Source: Korean Feed Association (KFA)

Korean Flour Millers Industry Association (KOFMIA)

CORN

No PS&D changes from the previous report (KS6034)

Imports

During the first six months of MY 2005/06, overall corn imports decreased about 4 percent as compared with the same period in the previous marketing year. Feed corn imports decreased 6 percent while processing corn imports increased 3 percent.

Korea: Monthly Corn Import				
(1,000 mt)				
Month	Feed Corn		Processing Corn	
	MY 2004/05	MY 2005/06	MY 2004/05	MY 2005/06
October	585	434	170	153
November	415	488	149	112
December	605	571	241	300
January	537	437	84	92
February	421	549	117	118
March	713	607	140	150
Sub Total	3,276	3,086	901	925
April	525	na	123	na
May	659	na	181	na
June	670	na	155	na
July	512	na	202	na
August	522	na	158	na
September	576	na	176	Na
Total	6,740	Na	1,896	Na

Source: Korea Customs Service

U.S. Corn Exports

During the first six months of MY 2005/06, U.S. corn exports to Korea amounted to 1.5 million metric tons (mmt) or 38 percent of total imports. China supplied 62 percent of Korea's corn imports during this period. However, international grain traders who have made contracts with Korean buyers on an optional origin basis are expected to shift to delivery of U.S. corn or South American corn during the remainder of the marketing year if forecasts that the Chinese government will not issue additional amounts for export are to be believed.

Korea: MY 2005/06 Monthly Corn Imports By Origin					
(1,000 mt, based on Customs Clearance)					
Country	U. S.	China	Brazil	Others	Total
Feed Corn					
2005 Oct.	247	187	0	0	434
Nov.	327	161	0	0	488
Dec.	284	287	0	0	571
Jan.	191	246	0	0	437
Feb.	156	393	0	0	549
Mar.	270	337	0	0	607
Subtotal	1,475	1,611	0	0	3,086
Processing					
2005 Oct.	10	143	0	0	153
Nov.	4	108	0	0	112

Dec.	1	299	0	0	300
Jan.	1	91	0	0	92
Feb.	11	107	0	0	118
Mar.	7	143	0	0	150
Subtotal	34	891	0	0	925
Total					
2005 Oct.	257	330	0	0	587
Nov.	331	269	0	0	600
Dec.	285	586	0	0	871
Jan.	192	337	0	0	529
Feb.	167	500	0	0	667
Mar.	277	480	0	0	757
Grand Total	1,509	2,502	0	0	4,011

Source: Korea Customs Service

Korean buyers have completed purchases of all corn up to June 2006 arrival and are currently buying corn for July and August 2006 arrival. According to local traders, more than 41 percent of the corn sold to Korea by grain traders has been U.S. origin, 15 percent has been Chinese origin, and the remainder has been optional origin at seller's option.

Korea: Corn Contracts per Estimated Time of Arrival (ETA) (Unit: 1,000MT, as of April 14, 2005)					
ETA	U.S.	China	SOAM 1/	Others 2/	Total
Oct. 2005	305	122	0	263	690
Nov.	375	186	0	0	561
Dec.	303	58	0	213	574
Jan. 2006	236	247	0	108	591
Feb.	165	247	0	215	627
Mar.	237	37	0	525	799
Apr.	228	0	0	373	601
May	165	0	0	325	490
Jun.	335	0	0	302	637
Jul.	163	0	0	325	488
Aug.	32	0	0	110	142
Total	2,544	897	0	2,759	6,200
Comparison Rate	41%	15%	0	44%	100%

1/ South American Countries

2/ Includes optional origins

Source: Local Grain Traders

Utilization

During the first six months of MY 2005/06, corn consumption decreased 1.2 percent due to a decrease in the use of feed corn. This decrease was offset by an increase, during the same six months, in the use of processing corn. The consumption of processing corn is expected to level off in MY 2005/06 after declining since MY 2002/03 due to a somewhat sluggish economy and strong competition from Chinese corn product imports.

Korea: Monthly Corn Use				
(1,000 mt)				
Month	Feed Corn		Processing Corn	
	MY 2004/05	MY 2005/06	MY 2004/05	MY 2005/06
October	530	546	170	167
November	520	541	159	149
December	582	567	154	159
January	552	524	161	162
February	502	480	133	146
March	568	539	158	160a/
Subtotal	3,254	3,197	935	943
April	554	Na	164	Na
May	577	Na	180	Na
June	570	Na	176	Na
July	546	Na	177	Na
August	564	Na	170	Na
September	543	Na	162	Na
Total	6,619	Na	1,966	Na

A/ FAS Seoul estimates due to belated information from corn processors.

Source: Korean Feed Association (KFA)

Korean Corn Processing Industry Association (KOCPIA)

HACCP for Feed Mills

The Ministry of Agriculture & Forestry (MAF) initiated a voluntary HACCP Certification program for animal feed plants on January 1, 2005. The goal of the program is to promote sanitary conditions and the safety of livestock products by eliminating potential hazards from animal feed. As of April 2006, thirty-nine animal feed plants have applied for and received HACCP certification, an increase of ten mills since November 2005. MAF expects most Korean feed mills will be eligible to receive HACCP certification by mid-2006.

RICE

No PS&D changes from the previous report (KS6034).

Rice Imports under 2005 MMA

Under the 2005 rice minimum market access (MMA) quota, the Korean government purchased 216,545 metric tons (mt) on a milled basis from the United States, China and Thailand through international tenders held in early 2006. Australia was not able to meet the tender specifications due to a lack of supply of short grain rice from the 2005 crop. Korea will give Australia another opportunity to supply rice using their 2006 crop for the 2005 MMA.

Korea: 2005 Rice Tender Results under MMA TRQ				
Specification	Quantity (mt)	Milling Type	Price (US\$/mt, arrival basis)	Origin
Medium Grain # 1	2,752	Milled	564.88	U.S.A.
Medium Grain # 3	2,752	Milled	532.00	U.S.A.
Medium Grain # 3	6,782	Brown	490.45	U.S.A.
Medium Grain # 3	15,000	Brown	530.85	U.S.A.
Medium Grain # 3	15,000	Brown	531.45	U.S.A.
Medium Grain # 3	19,524	Brown	533.95	U.S.A.
Short Grain # 1	6,383	Milled	568.45	China
Short Grain # 3	6,384	Milled	530.88	China
Short Grain # 3	12,435	Brown	497.45	China
Short Grain # 3	30,000	Brown	498.45	China
Short Grain # 3	20,000	Brown	498.45	China
Short Grain # 3	40,000	Brown	497.45	China
Short Grain # 3	24,880	Brown	498.45	China
Long Grain # 1	1,646	Milled	381.50	Thailand
Long Grain # 3	1,647	Milled	369.00	Thailand
Long Grain # 3	3,391	Brown	314.57	Thailand
Long Grain # 3	15,000	Brown	318.38	Thailand
Long Grain # 3	14,633	Brown	324.98	Thailand
Short Grain # 1	496	Milled	NA	Australia
Short Grain # 3	497	Milled	NA	Australia
Short Grain # 3	8,930	Brown	NA	Australia

Source: FAS/Seoul

U.S. Rice Exports to Korea

Korea purchased 56,180 mt of U.S. medium grain rice (milled basis) in 2005. The U.S. rice for table purposes was 5,504 mt, composed of 2,752 mt of U.S. #1 medium grain rice purchased at US\$ 564.88/mt, CFR and 2,752 mt of U.S. #3 or better medium grain rice purchased at US\$ 532/mt, CFR, respectively. Korea also purchased 56,307 mt of U.S. #3 brown rice (equivalent to 50,676 mt on a milled basis) for processing purposes.

Korea: Arrival Status of Table Rice				
ETA	Quantity	Disport	Supplier	Origin
U.S. #1 Medium Grain 2,752 mt:				
3/23/06	1,372	Pusan	FRC	USA
3/30/06	694	Pusan	FRC	USA
4/6/06	686	Pusan	FRC	USA
U.S. #3 Medium Grain 2,752 mt:				
4/27/06		Pusan	ADM	USA
5/4/06		Pusan	ADM	USA
Chinese #1 Short Grain 6,383 mt:				
4/18/06	2,100	Pusan	COFCO	China
By 5/18/06	2,100		COFCO	China
By 5/25/06	2,183		COFCO	China
Chinese #3 Short Grain 6,384 mt:				
4/18/06	1,000	Pusan	COFCO	China
By 5/11/06	1,100		COFCO	China
By 5/18/06	2,100		COFCO	China
By 5/25/06	2,184		COFCO	China
Thai #1 Long Grain 1,646 mt:				
By 5/17/06	1,646		AGR	Thailand
Thai #3 Long Grain 1,647 mt:				
By 5/17/06	1,647		AGR	Thailand

Source: Korean Agro-Fishery Trade Corporation (aT)

U.S. Rice Purchased for Table Purposes

The Korean Agro-Fishery Trade Corporation (aT), a state trading entity, purchased the 5,504 mt of U.S. #1 and #3 grade rice. Starting on April 5, 2006, they are holding auctions every Wednesday for the first shipment of U.S. #1 grade 1,369 mt, until the rice is sold. The Ministry of Agriculture and Forestry gave 90 individuals and/or companies the eligibility to participate in the auctions according to following definitions:

- a. A person who, as a middleman in the legal food grain wholesale market, has recorded more than one billion Korean won of sales annually on average for the past three years or an agricultural retailer/wholesaler who has recorded more than 30 billion Korean won of sales annually.
- b. A person who has the facilities to sell rice.
- c. A person who is not listed among the rice processing companies based on the Grain Management Act regulations and is not a buyer who has purchased rice for processing purposes from government-held rice stocks.

The 90 individuals and companies include 23 members of the Korea Rice Middlemen Association (KRMA), 18 large discount stores, 19 department stores, 14 supermarket chains, 8 convenient stores and 8 catering food services. The members of KRMA, who prior to this only conducted domestic rice transactions, have been active purchasers in the recent auctions of U.S. #1 grade rice.

Auction Results for U.S. #1 Grade Medium Grains Milled Rice 1,372 MT delivered at Pusan port by FRC on 3/23/06						
Date	Bidding Quantity	Awarded Quantity	Eligible Companies	Actual Participants	Buyers	Prices (Korean Won)
4/5/06	1,369 MT	40 MT	43	16	na	Na
4/12/06	1,329 MT	302 MT	43	19	12	15,600/10Kg 31,240/20Kg
4/19/06	1,027 MT	108 MT	43	12	8	15,510/10Kg 31,060/20Kg
4/26/06	918					

Source: Korean Agro-Fishery Trade Corporation (aT)

Korea: Rice Price Comparison Between Korean and U.S. Rice in April (Korean Won per 20 kg bag, average in Seoul)			
	Korea #1	Korean #2	US #1 Rice
Wholesale Price	35,000 (35,200)	34,000 (34,200)	33,000
Retail Price	41,361 (41,817)	na	To be 40,000a/

a/ estimated by wholesalers

Note: Numbers in parenthesis are national average.

Source: Korea Agricultural Marketing Information Service (KAMIS)

April 5, 2006 Auction

It was reported that major distributors, including larger discount stores, were reluctant to participate in the initial rice auction because of the political sensitivity to selling foreign rice at their retail outlets. The Korean Agro-Fishery Trade Corporation set the floor price and on April 5, 2006, 1,369 mt of rice were offered. Only 40 mt were purchased, suggesting that the floor price may have been too high. According to the Korean Agro-Fishery Trade Corporation, only 16 individuals participated in this auction. The identities of the individuals who purchased the rice were not revealed. Later, FAS/Seoul was informed that catering companies had purchased most of the rice.

April 12, 2006 Auction

On April 12, 2006, the Korean Agro-Fishery Trade Corporation offered 1,329 mt and 302 mt were purchased. Nineteen individuals participated in this second auction. Twelve bidders purchased 302 mt at an averaged 15,600 KRW per 10 kg bag and 31,240 per 20 kg bag. The 302 mt was composed of 88 mt in 10 Kg bag and 214 mt in 20 Kg bag. This suggests that Korean Agro-Fishery Trade Corporation's floor price may have been adjusted downward, at least slightly.

April 19, 2006 Auction

The remaining 1,026 mt from the first shipment of which only 342 MT have been sold to date was offered for sale. Twelve individuals participated and eight bidders purchased 108 mt at an averaged 15,510 KRW per 10 kg bag and 31,060 KRW per 20 kg bag. The 108 mt were composed of 30 mt in 10 kg bag and 78 mt in 20 kg bag. The remaining 918 mt is expected to be auctioned off next Wednesday (4/26/06).

Initial Impression of U.S. Table Rice from Korean Consumers

FAS/Seoul has tried to get an initial impression of U.S. table rice from wholesalers, retailers and consumers through meetings and telephone interviews. Mr. Park, Yong Sang, the

chairman of the Korea Rice Middlemen Association (KRMA), said KRMA members who purchased U.S. rice in the second and third auctions had a very positive impression of U.S. Calrose rice either from years past or through black market rice (usually from the Military Commissary). However, KRMA has received negative feedback about the different results when cooking the newly imported Calrose rice. Consumer education about the proper way to cook U.S. rice or cooking instructions on the label may be needed.

There have been other vague complaints heard through KRMA; however, it is difficult to assess the veracity of these complaints as they are not specific and have not come from any individual consumer. There is a tremendous amount of support for Korean farmers and rice is a very sensitive commodity. It will take time for U.S. rice to gain a presence in this market.

As a result of the slow sales of U.S. rice, it is expected that the Korean government will revise the regulations governing the eligibility of auction participants in order to expand the number from the current 90 to 126 individuals and companies (52 middlemen, 21 department stores, 18 discount stores, 18 supermarket chains, 8 convenient stores and 9 catering food services). It is also possible that the floor price will be lowered.

Korean Rice Food Processing Industry

Under the rice procurement program established in 1948, the government provided domestic rice to the food processing industry at subsidized prices. Since rice imports began after the Uruguay Round negotiations in 1995, the government has made both Korean and foreign rice available to the food processing industry at below market prices. The portion of foreign rice provided through this mechanism has steadily increased each year under the provisions of the 1994 Minimum Market Access (MMA) agreement with the WTO.

All rice imports are purchased through tenders held by a state trading enterprise, the Korea Agro-Fishery Trade Corporation. Imported rice, until this year, was resold at government set prices to the food processing industry for use in the manufacturing of rice cakes, noodles, liquor and confectionery products. In recent years, the food processing industry has depended on imported rice for half its needs. The remainder is supplied by Korean rice through private market channels.

In 2005, Korea processed 456,000 metric tons of milled rice, composed of 233,000 tons of imported rice supplied by the government and 223,000 metric tons of Korean rice supplied through private rice marketing channels. The Korean government supplied members of the Korea Rice Foodstuffs Association (KRFA) and the Korea Alcohol & Liquor Industry Association (KALIA) with 233,000 metric tons of imported milled rice at a set price based on the imported price plus handling charges (includes storage, milling, transportation, and other charges). KRFA members have annually consumed about 100,000 metric tons of milled rice to produce rice products such as cakes, beverages, flour, snacks, syrup, and other products. In 2005, KALIA members who mainly use raw tapioca to produce spirits received 135,000 metric tons of imported milled rice from the government at the set price.

Korea: Rice Utilization Pattern				
(1,000 mt)				
Rice Year (Nov.- Oct.)	MY 2002/03	MY 2003/04	MY 2004/05 a/	MY 2005/06 b/
Beginning Stock	1,447	1,099	1,037	1,001
Production	4,927	4,451	5,000	4,768
Import	180	205	226	246
Total Supply	6,554	5,755	6,263	6,015
Table Rice	3,987	3,952	3,897	3,850
Processing	313	335	456	494
Seed	44	43	42	42
Others included loss	711	283	467	467
Total Demand	5,055	4,613	4,862	4,853
Export c/	400	105	400	Na
Ending Stock	1,099	1,037	1,001	1,162
Total Distribution	6,554	5,755	6,263	6,015
Per Capita Consumption (Kg) d/	84.3	82.2	80.7	79.4
Population (1,000)	47,926	48,082	48,294	48,500
Self-Sufficient Rate (%) e/	97.5	96.5	102.8	98.2
Ending Stock Rate (%) f/	21.7	22.5	20.6	24.0

a/ MAF's Preliminary.

b/ MAF's forecast

c/ Food aid to the DPRK on the long-term credit.

d/ Based on table rice

e/ Production-Total Demand rate

f/ Ending stock-Total Demand rate

Source: Ministry of Agriculture and Forestry

Appendix

Korea: Monthly Wholesale Price of Milled Rice (High Quality)						
Month\Year	CY 2004		CY 2005		CY 2006	
	Won/Kg	US\$/Kg	Won/Kg	US\$/Kg	Won/Kg	US\$/Kg
January	2,130	1.80	2,000	1.93	1,800	1.82
February	2,158	1.83	2,000	1.96	1,800	1.86
March	2,160	1.85	2,000	1.99	1,791	1.84
April	2,160	1.88	2,000	1.99	1,760	1.87
May	2,153	1.83	2,000	1.98	na	na
June	2,157	1.86	2,000	2.00	na	na
July	2,188	1.89	2,009	1.94	na	na
August	2,183	1.88	2,009	1.97	na	na
September	2,132	1.86	1,959	1.97	na	na
October	2,038	1.78	1,851	1.77	na	na
November	2,000	1.83	1,800	1.73	na	na
December	2,138	2.03	1,800	1.76	na	na
Average	2,133	1.86	1,951	1.90	na	na

Note: Monthly Average Exchange Rate is applied.

Source: Korea Agricultural Marketing Information Service (KAMIS)

Korea: Monthly Retail Price of Milled Rice (High Quality)						
Month\Year	CY 2004		CY 2005		CY 2006	
	Won/Kg	US\$/Kg	Won/Kg	US\$/Kg	Won/Kg	US\$/Kg
January	2,374	2.00	2,322	2.24	2,152	2.18
February	2,376	2.04	2,322	2.27	2,136	2.20
March	2,376	2.04	2,317	2.30	2,131	2.19
April	2,377	2.07	2,319	2.29	2,091	2.15
May	2,387	2.03	2,314	2.31	na	na
June	2,392	2.06	2,304	2.28	na	na
July	2,396	2.07	2,308	2.23	na	na
August	2,402	2.07	2,309	2.26	na	na
September	2,409	2.10	2,310	2.24	na	na
October	2,390	2.09	2,291	2.19	na	na
November	2,387	2.19	2,244	2.15	na	na
December	2,347	2.23	2,170	2.12	na	na
Average	2,384	2.08	2,293	2.24	na	na

Note: Monthly Average Exchange Rate is applied.

Source: Korea Agricultural Marketing Information